



Finance Administration
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Council Finance Committee Hybrid Meeting
CIC Room / Zoom
October 3, 2024
4:00 - 6:00 pm

Council Attendees: Mayor Arndt, Emily Francis, Kelly Ohlson

Staff: Kelly DiMartino, Tyler Marr, Travis Storin, Denzel Maxwell, Teresa Roche, Jenny Lopez Filkins, Ginny Sawyer, Terri Runyan, Max Valadez, Joe Wimmer, Nina Bodenhamer, Drew Brooks, Monica Martinez, Kaley Zeisel, Brad Buckman, Dana Hornkohl, Dean Klingner, Victoria Shaw, Jill Wuertz, Zack Mozer, Randy Bailey, Trevor Nash, Garrison Dam, Jordan Granath, Logan Bailor, Renee Reeves, Dave Lenz, Jen Poznanovic, Jo Cech, Carolyn Koontz

Other: Josh Yde, CPA, Plante & Moran, PLLC
Timothy St. Andrew, CPA, Plante & Moran, PLLC

Meeting called to order at 4:00 pm

NOTE: The minutes from the September Council Finance Committee meeting will be distributed with the November meeting packet.

A. Audit Results

Randy Bailey, Accounting Director
Trevor Nash, CPA, Controller
Josh Yde, CPA, Plante & Moran, PLLC
Timothy St. Andrew, CPA, Plante & Moran, PLLC

SUBJECT FOR DISCUSSION

Independent Auditors' Report on 2023 Financial Statements
Independent Auditors' Report on Compliance for Major Federal Programs

EXECUTIVE SUMMARY

Plante & Moran will be presenting an overview of the *Results of the 2023 Financial Statement Audit*.
This report covers the audit of the basic financial statements and compliance of the City of Fort Collins for year-end December 31, 2023.

NOTE: The Annual Comprehensive Financial Report is available in print on request, and accessible online here:
<https://www.fcgov.com/finance/files/fy23-acfr-final-web-version.pdf?1724173021>

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on areas of priority or concern, other than those established in this Report to the City Council, for matters of recordkeeping and/or the City’s internal control environment. Otherwise, there are no specific questions to be answered as this is a 2023 year-end report.

BACKGROUND/DISCUSSION

In compliance with Government Auditing Standards, the City undergoes an independent external audit on an annual basis. Plante & Moran finalized its financial statement audit and compliance report on June 29, 2024, and the firm is required to report the results of the audit to those charged with governance.

Attachment 1 to this agenda item contains the full report, findings of note are summarized below: Identified Deficiencies (Attachment 1, pages 3-5):

Other findings/deficiencies identified by the auditors but not rising to the level of a significant deficiency can be found in the Report to the City Council. Staff will provide a written response to the audit findings at a fourth quarter Council Finance Committee meeting.

The final 2023 Single Audit report on Compliance for Major Federal Programs is expected to complete by the third week of October and will be provided to Council Finance Committee at that time.

DISCUSSION / NEXT STEPS;

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on areas of priority or concern, other than those established in this Report to the City Council, for matters of recordkeeping and/or the City’s internal control environment. Otherwise, there are no specific questions to be answered as this is a 2023 year-end report.

Kelly Ohlson; I remember in the past, there were suggestions and ideas shared after previous audits.

Travis Storin; in any given year, we will receive between two and seven verbal comments on things we can improve. These don’t rise to the level of a finding.

It is a question of materiality. It is a judgmental position that we might take. We defer to our auditors if it is a material issue.



Required Post-Audit Communications

- **Significant Audit Findings**
 - No transactions entered into by the City lacking authoritative guidance
 - No significant transactions that have been recognized in a different period than when the transaction occurred
 - No difficulties encountered in performing the audit
 - No disagreements with management
 - Summary of Unrecorded Possible Adjustments includes adjustments related to subscription-based IT arrangements, accumulated depreciation, and year-end activity related to the Tourism Improvement District

Kelly Ohlson; slide 4 (see above) the last bullet – Does that mean there are things you are recommending but they don't rise to a certain level? Are those things staff will end of doing?

Tim St. Andrew; these are things that as we were going through the audit and testing, we noticed balances were off a little bit on these three items, but we did the analysis, we concluded that it didn't rise to the level that was significant, but it is high enough that we needed to report it to you that we did have uncorrected adjustments. They are not reflected on the financial statements.

Kelly Ohlson; so, what happens to these ideas – asking staff?

Travis Storin; it would be kind of textbook that we are posting these. If you had a 'no hitter audit', there would be no findings on these schedules. A big lens for us is if it is going to affect a fund balance or not. That is a big determinant on whether it is something that would want to create some urgency around fixing.

Tim St. Andrew; these are not findings – they are unrecorded adjustments but not significant enough balances to be findings.

Randy Bailey; we prioritize all of these things. For example, the Tourism Improvement District, that was something that we did not include in any of our prior ACFRs. Because of this finding and the consult that we had, we included it in our FY23 ACFR starting this year. Going forward, we will operationalize that and it will be in our ACFR going forward.



Required Post-Audit Communications

- **Significant Audit Findings**
 - Material Weaknesses
 - The City reported deferred inflows of resources and a receivable for several Federal Transit Authority (FTA) grants under which pre-award spending had begun prior to the end of the reporting period but grant agreements had not been executed
 - The Tourism Improvement District had been improperly excluded from the financial statements



Federal Single Audit

- **Federal expenditures of \$29.4 million**
- **Three major programs tested in 2023**
 - ALN 14.218 – Community Development Block Grants
 - ALN 20.205 – Highway Planning and Construction
 - ALN 21.027 – Coronavirus State and Local Fiscal Recovery Funds
- **Unmodified opinions expected**
- **Federal award findings – material weakness related to reporting of expenditures on the SEFA prior to executed grant agreements**

Kelly Ohlson; slide 6 (see above) – what is the specific definition of a Federal Single Audit?

Does that mean you pulled out some things as we had more expenditures that \$29.4M from the federal government in 2023.

Josh Yde; this is money that was spent -you may have received some advanced funding such as APRA that hasn't been spent yet. Any city or any entity that spends over \$750K would be subject to a single audit. As part of the process, we receive a schedule of federal expenditures. There are strict guidelines that we must follow. The CIFA is our single audit plan and roadmap. We look at based on dollar amount, what the major programs are and then if they have had any issues in the last two years, that is how we decide which programs we are testing. We make sure we have the right coverage, depending on the facts of any year, we either have to do 20% or 40% coverage. Out of the \$29M, we need 40% coverage. It is the same process every year, really grant specific and dollar specific which programs we test.

Kelly Ohlson; if you were to grade how the organization is doing compared to other local governments. I just want to make sure we dot the I's and cross the T's.

Josh Yde; I think you are doing very well, and you have a great team in place. Keep in mind that there has been a lot of change this year, on your end as well as a new audit firm and new auditing standards (GASB) that had a major trickle-down effect. The bar is low for findings, and it is more common than not to have findings. I would say overall, you are doing very well from a compliance to audit, preparation and readiness standpoint.

Mayor Arndt; thank you. It is healthy to have audits. The Tourism Improvement District is new – this is our second fiscal year. That is why we switch auditors; you see new things and it is a healthy process that shows us ways to improve. Thank you for helping us be better.

B. CCIP Project Options

Travis Storin, Chief Financial Officer
Ginny Sawyer, Project Manager
Joe Wimmer, Financial Analyst

SUBJECT FOR DISCUSSION

Capital Improvement Quarter-Cent Tax Renewal

EXECUTIVE SUMMARY

The purpose of this item is to update the Council Finance Committee (CFC) on continued development into building a package of projects for the capital tax renewal. This renewal is targeting the November 2025 election.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions do committee members have regarding the current projects and/or timeline?
2. Are there projects the committee would recommend to remove or add?

BACKGROUND/DISCUSSION

The current Community Capital Improvement Program (CCIP) tax will expire on December 31, 2025. Staff is currently working to create a package to offer voters as a renewal in November 2025 for a tax that would run from January 1, 2026, to December 31, 2035.

To date staff has:

- Demonstrated the traditional use of this tax being implemented at approximately 50% transportation-related projects and 50% identified capital projects.
- Shared lessons learned from previous tax measures.
- Confirmed the desire that package projects serve a diversity of needs throughout the community and focus on projects identified and vetted by the public through planning processes.
- Compiled and vetted potential projects submitted by departments.

Timeline to date has included Council touch points at a February 2024 work session, March 2024 CFC, April 2024 work session, and July 2024 CFC.

Proposed Council timeline going forward includes:

- October 3, 2024, CFC (scheduled)
- November 12, 2024, Council work session (scheduled)
- January/February 2025 CFC (to be scheduled)
- May work session (to be scheduled)
- July work session (to be scheduled)
- July/August 2025 ballot referral (to be scheduled)

This schedule also anticipates public outreach and engagement starting in early 2025.

Potential Projects

The proposed project list to date is attached. The list represents project costs far over what the quarter-cent tax would collect. Continued refinement on the list will include prioritization of projects through Council direction and public input, identifying scalable projects, and cost refinement. This list includes transportation-related projects and newly identified projects.

A few specific projects and details of note:

- Following the last CFC meeting, staff took feedback to look at which funding sources and which projects truly align in the parks and recreation area. Council also recently had a work session specifically focused on the use of 2050 tax. Based on these discussions, the Mulberry pool project remains in the 2026-35 capital sales tax list (\$10M) with an understanding that multiple funding sources will ultimately be needed.
- Staff has continued to vet the potential use of a \$10M Affordable Housing Fund as the seed money for an on-going revolving loan fund. The overarching goal would be to create sustainable affordable housing funding and provide an ability to go “narrow and deep” with funding as opposed to “wide and shallow.” There are still many details to be determined and based on work and conversations to date it seems feasible to:
 - Issue a sales tax revenue bond against the \$10M affordable housing fund dedication.
 - Bond proceeds of approximately \$7.5M would be available in year one to loan to an affordable housing developer(s) at a favorable below-the-market interest rate.
 - Developer would pay back loan creating money for future loans and projects.
- Further discussions with Operation Services, Culture Services, and the Museum of Discovery have potentially narrowed the scope of the downtown trolley building improvements into two specific activities:
 1. Identify and complete necessary improvements to make the downtown trolley building “ready” and feasible for a yet to be determined use; and

2. Find temporary storage for the Museum artifacts to allow for downtown trolley barn improvements and the inventory and auditing of the objects.

There is still work and refinement to be done on this project.

- Additional project list changes since July CFC:
 - The following projects are no longer listed:
 - Lincoln Center Kitchen Renovation
 - Community Shared Commercial Kitchen
 - LaPorte Avenue Re-design
 - **The following projects have been added**
 - Timberline Recycling Center Improvements

Naming

Having common nomenclature on tax measures can be beneficial during public outreach and throughout the term of the tax when describing funding sources. Previous programs have included:

Designing Tomorrow Today

Project RECAP

Choices 95

Building Community Choice

Building on Basics

And the current program: Community Capital Improvement Program (CCIP)

Considerations for the renewal are listed below.

Capital by Design

Capital Improvement Tax

Quarter Cent Capital

DISCUSSION / NEXT STEPS;

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions do committee members have regarding the current projects and/or timeline?
2. Are there projects the committee would recommend to remove or add?

- **Dog Parks**
 - Highly rated in Recreation Masterplan
 - Need to determine best funding/timing/and locations

- **Bike Park (Early Phase)**
 - Bike Park feasibility study to be completed in April/May 2025 timeframe
 - \$5M not likely to cover full cost

- **River Projects**
 - Looking at Lee Martinez and Legacy Park area to College
 - Focus on bank stabilization and access for neighborhoods north of the river

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- **Mulberry Pool**
 - Remaining in package at \$10M for capital tax share
 - Recognize pool replacement will require multiple funding sources

- **Housing**
 - Continuing to explore revolving loan fund (RLF) specifics
 - Stakeholders support \$10M as RLF or as standard program

- **Downtown Trolley Building & Museum**
 - Building has been identified in the Downtown Masterplan as asset for community centered use
 - Currently houses object artifact collection and other storage
 - Need both storage and renovation funding

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Kelly Ohlson; naming ideas - names matter – the morale of the story – my history POST 2001 – 1994 tax- lost 60/40 – changed called it Open Space passed 65/35 - People don't know what capital is – Community is far better than Capital - Community By Design

Next Steps City of Fort Collins

- November 12 Work Session

- Continue to refine projects and programs including:
 - Identifying scalability and impacts
 - Determine final recommended streetscape projects



Ginny Sawyer: at this point in the game, are projects all scalable. The work that we will continue to do is in identifying how much scalability will still leave a project viable. We will try to refine for Council as we go. Prioritizing and understanding is our march forward as we go...

Emily Francis; I would like to see Soft Gold Park refresh on the list for this – it needs to be redone

Dean Klingner; can you share your vision? There are improvements at Soft Gold that could be 2025 eligible.

Emily Francis; it is a poorly designed park. It is not user friendly and how it abuts to the natural area has caused a lot of environmental issues with for example, folks camping there. It is conducive to illegal behavior due to its location - no homes close. The design and environment -

Dean Klingner; the team has been hearing that feedback – even in the 2050 conversation, we have heard a lot about the taking care of what we have component as parks age. What you are saying about Soft Gold resonates with our team in terms of there are enough changing factors going on that it will rise to the top. We are confident in that. What I would say today is that one way or another, we will do some thinking around whether 2050 or CCIP is the best option or a combination strategy. It may be that we just extend what we are thinking about for the north side of the river.

Emily Francis; Hickory Spur is practical but is kind of depressing - except for when the goats are there